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Central Intelligence Agency

Washington, D.C. 20505

5 July 1985

MEMORANDUM FOR: Ambassador Joe M. Rodgers

SUBJECT : French Briefing Addendum

1. In our recent oral briefing we mentioned some of the peculiarities of the French labor market regulations that go well beyond the minimum wage, occupational safety rules, and overtime regulations existing in the United States. As you requested, [redacted] has prepared a short note outlining the most important French labor laws. The Embassy Staff in Paris has done an excellent job in this area and will be able to furnish additional details. [redacted] 25X1 25X1

2. You also expressed interest in some of the international comparisons made in our briefing. We have included a table showing comparative GNP growth, inflation, employment creation, unemployment, and current account balances for the last 14 years. [redacted] 25X1

[redacted] 25X1

John McLaughlin
Chief, Western Europe Division
Office of European Analysis

Attachments:
As stated.

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French Briefing Addendum

French Labor Regulations

1. The most onerous burden an employer bears in France is the limited short-term control he has over the size of his workforce. The OECD has found that in the United States, employment variations generally lag behind output variations by about one month. In France the lag is about 9 months. Part of the reason for this is the process an employer must follow to lay off workers. Any company desiring to lay off more than 10 workers must consult workers' representatives or councils and, depending on firm size, observe various waiting periods. The employer must also obtain government approval before layoffs are permitted. Companies with more than 50 workers can face delays of up to four months before receiving permission for layoffs; an additional four months can be lost if the decision is appealed. Many labor contracts also specify a four-month waiting period from the time layoffs are announced until implementation. The government agrees to about 90 percent of all layoffs, but the long delays can be costly to firms and poison labor relations for a long period. [redacted] 25X1

2. The government also closely regulates the use of temporary, contract, or part-time help and will not generally allow firms to substitute these forms of employment for "permanent labor." The government has recently become a bit more permissive in allowing part-time and temporary help. [redacted] 25X1

3. French labor law also establishes numerous requirements for workers' representatives, worker councils, enterprise committees, and special taxes and contributions which vary with firms' size. There are an unbelievable 51 thresholds specified in various regulations for firms employing between 10 and 10,000 employees, all of which make it expensive for small firms to grow. These threshold steps include the following:

- o with 10 employees or more the employer must pay special transportation, housing, and training taxes.

- o with 11 to 25 employees one worker representative and one alternate receive 15 hours a month work credit for worker activity and a right to office space -- with 25 to 50 the number of representatives is doubled.

- o above 50 workers the enterprise must have a three member health and safety committee paid for by the company.

- o above 50 workers the company's worker committee must include three representatives and three alternates. The size of the worker committee increases with the size of the enterprise. The members receive 20 hours a month for

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committee work as well as time for formal meetings. Union representatives are also paid for time spent at union activity.

o in a firm of 50 employees, 36 percent of the workforce may receive some payment for such nonproductive work. 25X1

4. Charts 1 and 2 show the burden of threshold measures on enterprises according to firm size as calculated by the French employers' organization. Chart 1 shows the impact on labor costs of these threshold effects; for example, these measures add 5.42 percent to the cost of labor for firms with 50 workers. Chart 2 shows the percentage of paid hours that are spent in nonproductive work according to firm size. Again this cost peaks at 50 employees with 1.72 percent of all paid hours being used for committee work. 25X1

International Comparisons

5. Table 1 compares economic performance during the past 14 years in the United States, France, the United Kingdom, and West Germany. You will note that between 1972 and 1982, France had the highest average annual economic growth of these countries, as well as one of the highest inflation rates. Although Mitterrand had to reverse his economic policies in 1983, the French are proud that they did not have a recession like the United States and West Germany. Nonetheless, you will also notice that the three West European countries had similar disappointing patterns of employment creation and unemployment, in contrast to the United States. France, however, was somewhat more successful than the other European countries between 1972 and 1982 in creating jobs. 25X1

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Table 1

GNP (% Change)

	1972-1982	1982	1983	1984
US	2.2	-2.1	3.7	6.8
France	2.7	1.6	0.5	1.8
UK	1.5	2.3	2.5	1.6
West Germany	2.0	-1.1	1.3	2.6

CPI (% Change)

	1972-1982	1982	1983	1984
US	8.7	6.1	3.2	4.3
France	11.0	12.1	9.3	7.7
UK	14.0	8.6	4.6	5.0
West Germany	5.0	5.3	3.3	2.4

Employment (% Change)

	1972-1982	1982	1983	1984
US	2.0	-0.9	1.3	4.25
France	0.2	0.1	-0.8	-1.0
UK	-0.2	-1.5	-0.4	1.0
West Germany	-0.4	-1.8	-1.7	-0.2

Standardized Annual Unemployment Rate (%) (OECD)

	1973-1982	1982	1983	1984
US	6.9	9.5	9.5	7.4
France	5.1	8.1	8.3	9.7
UK	6.5	12.3	13.1	13.2
West Germany	3.3	6.1	8.0	8.6

Annual Current Account Balance ($Billion)

	1973-1982	1982	1983	1984
US	0	-9	-41	-101
France	-1	-12	-5	0
UK	2	8	4	0
West Germany	1	4	5	6

Chart 1

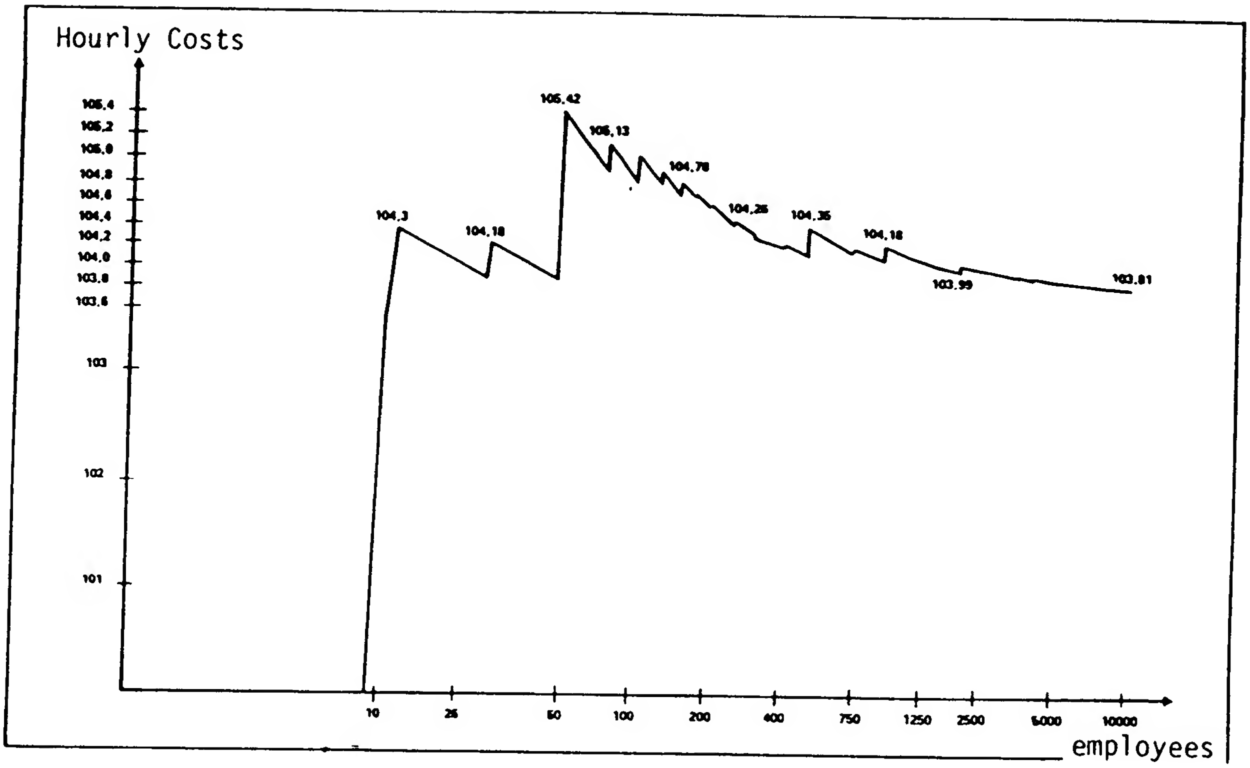

Chart 2